



The Western Australian
Government
Railways
Commission

ANNUAL REPORT 2000/2001

Until December 2000, The Western Australian Government Railways Commission (WAGR) traded under the name of Westrail, providing both freight and passenger services in addition to selling track access to interstate and tourist rail operators.

However, on 17 December 2000 WAGR's freight business was sold to the Australian Railroad Group.

As a result of the sale WAGR's core business is to provide a customer focused, safe and cost effective passenger transport service for Western Australians.

About WA Government Railways



ANNUAL REPORT 2000/2001

In accordance with Section 66 of the Financial Administration and Audit Act 1985 and Section 91(1) of the Government Railways Act 1904, I submit for your information and presentation to Parliament the Annual Report of the Western Australian Government Railways Commission for the year ended 30 June 2001. The report has been prepared in accordance with the provisions of the Financial Administration and Audit Act 1985.

Reece Waldock
A/Commissioner of Railways

Contents

click on contents entry to jump to page

Our Purpose, Our Aim and Our Values	4
Commissioner's Overview	5
Executive Profiles	7
Organisational Structure	8
Review of Business	
Freight Division	9
Urban Passenger Division	11
Country Passenger Division	13
Network & Corridor Division	15
Statement of Corporate Governance	17
Other Information	19
Performance Indicators	21
Opinion of the Auditor General - Performance Indicators	24
Financial Statements	25
Opinion of the Auditor General - Financial Statements	54
Principal Office, Publications available to the Public, Internet Site	55



Our Purpose

To provide a customer focused, safe and cost effective passenger transport service for Western Australians.

Our Aim

To be recognised as the best passenger transport system in Australia.

Our Values

- We value and respect our customers, suppliers and each other;
- We demonstrate our commitment to safety;
- We encourage each other to reach full potential;
- We are honest and exhibit high levels of integrity, openness and ethical behaviour;
- We recognise and reward achievement, initiative and innovation;
- We strive for continuous improvement in everything we do; and
- We are environmentally responsible.

Commissioner's Overview



While in the eyes of the public the past financial year has been 'business as usual' for The Western Australian Government Railways Commission (WAGR), behind the scenes the organisation has been through a period of great change.

Until December 2000, WAGR traded under the name of Westrail, providing both freight and passenger services in addition to selling track access to other rail service operators.

However, on 17 December 2000, WAGR's freight business was sold to the Australian Railroad Group (ARG) for a price of \$585m. With the sale, ARG undertook to invest approximately \$400m in infrastructure and rolling stock over five years.

The sale was the culmination of a decision made by Cabinet in July 1998 to separate and dispose of Westrail's freight business.

As a result of the sale, WAGR's scope of operations now includes:

- the ownership and operation of the Perth urban passenger rail network and services;
- Rail infrastructure development;
- the ownership and operation of three intrastate rail passenger services – the Prospector (Perth to Kalgoorlie), the Australind (Perth to Bunbury) and the AvonLink (Perth to Northam);
- the ownership and operation of an intrastate road coach passenger service to more than 400 locations in the southern half of the State;
- the management of the rail freight corridor and the leases and licences relevant to the corridor, on behalf of the Rail Corridor Minister;
- the ownership and management of non-corridor railway reserve land, including the management of leases on this land and the disposal of land that is surplus to rail requirements.

continued



The restructured WAGR is now solely focused on becoming the best passenger transport system in Australia.

In January, I initiated a review of the organisation's direction given the transitional reform that was, and still is, necessary as a result of the sale of the freight business. The first outcome of this review was a new Corporate Strategic Plan, which provides a more holistic approach to improving business performance and is the foundation of WAGR's divisional business plans.

The most important outcomes of the strategic review is WAGR's commitment to two key areas: our people, and safety on the rail system. These two areas are paramount to the success of the system and accordingly, heavy emphasis has been placed on improvements in these areas.

WAGR is already recognised as one of the safest passenger transport systems in Australia however, it is our intention to build on this success.

WAGR's people must be also acknowledged for their major contribution in ensuring the organisation carried on 'business as usual' throughout the sale process. Thanks to their ongoing dedication and effort WAGR has continued to exceed a number of key performance indicators.

The challenge to WAGR during the coming financial year will be to successfully integrate with other government passenger transport operations to create the Western Australian Transit Authority. The new transit authority will be responsible for the operational activities of all government supported public transport in Western Australia.

This is a result of the Government's Machinery of Government review in 2001, which will lead to improved service delivery through a more efficient and responsive public sector.

Reece Waldock

A/Commissioner of Railways

Reece was appointed Acting Commissioner of The Western Australian Government Railways Commission in December 2000. He has over 15 years experience in strategic management, with particular expertise in the area of organisational reform. He has held a number of senior executive roles within the Department of Transport and the Department of Commerce and Trade in WA. Prior to his career in the public sector he held a number of senior management roles within BHP. He is currently State chairman of the Chartered Institute of Transport.

Executive Profiles

Brett Inchley

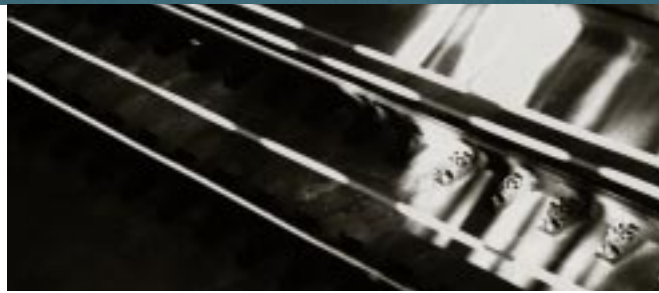
A/General Manager Urban Passenger

Brett's expertise lay in the fields of business and financial management having worked for a number of national and international private sector companies including Mobil Oil, Ford, and Deloitte Touche Tohmatsu. Brett joined the public sector in 1990 and has since gained extensive public transport management experience encompassing both operating and regulatory roles including five years as Director of Transperth.

John Powell

Manager Country Passenger

During his 40-year career in the railway industry, John has gained extensive experience in transport policy and human resource management. John has contributed to productivity management changes and the evolution of The Western Australian Government Railways Commission into a safe, customer focused and cost-effective passenger transport provider.



Hugh Smith

A/General Manager Network & Corridor

Hugh launched his engineering career at British Steel in the United Kingdom and later joined The Western Australian Government Railways Commission as an Assistant Engineer at the Midland Workshops. Hugh held a number of senior management and engineering positions at the Midland Workshops, prior to being appointed as General Manager of the Urban Passenger Division in 1994. Hugh was appointed Acting General Manager for the Network & Corridor Division in December 2000.

John Leaf

General Manager Finance

John has gained extensive financial and general management experience in the accounting profession with both private and listed public companies and government entities, in Australia and internationally. John joined The Western Australian Government Railways Commission in 1989 and has performed a strategic role in an eventful decade of continuous improvement and restructuring of the organisation and its evolution into a customer focused provider of public transport services.

Bernard Martinovich

A/Manager Corporate Issues and Compliance

Bernard's career in the public sector spans over 34 years. After joining The Western Australian Government Railways Commission in 1966 as a Junior Clerk he progressed his career having worked in a variety of areas including records management, financial management and personnel. Since 1986 he has been extensively involved in Ministerial liaison and executive support. Most recently his role has expanded to encompass responsibility for compliance with rail safety standards.

Rob Lindsay

Manager Human Resources

Rob's expertise is in the fields of industrial relations, enterprise bargaining, labour relations and human resource policy formulation, dispute resolution and strategic human resource management. Prior to joining The Western Australian Government Railways Commission Rob held the position of Assistant Director – Strategy and Representation at the Department of Productivity and Labour Relations. During his career he has been integral in the formulation of a number of enterprise bargaining agreements in the public and private sectors, sat as Government member of the Long Service Leave Appeal Board and Committee and has acted for health employers nationally in the area of competency packaging.

Organisational Structure

Commissioner of Railways – Reece Waldock*

General Manager Urban Passenger – Brett Inchley*

- Operations Manager – Max Collins
- Assistant Operations Manager – Ainsley Turner
- Mechanical Engineering Manager – Rod Vermeulen
- Security Manager – Graeme Fry
- Business Manager – Pat Italiano
- Revenue Services Manager – John Kitis

Manager Country Passenger – John Powell

- Operations Manager – Les Walton

General Manager Network & Corridor – Hugh Smith*

- Property Business Manager – Laurie Piggott
- Urban Systems Manager – Phil Schubert*
- Urban Infrastructure Manager – Bert Linden*
- Corridor & Projects Manager – Ross Hamilton
- Executive Officer Corridor – Anne Hill

General Manager Finance – John Leaf

- Finance & Administration Manager – Jeff Steedman
- Management Accountant – John Chung
- Contracts & Supply Manager – Fred Bahadori*
- Personnel & Payroll Manager – Ray Howe*

Manager Corporate Issues & Compliance – Bernard Martinovich*

- Rail Safety Standards Manager – John Robertson*
- Safeworking Compliance Manager – Tim Trigwell*

Manager Human Resources – Rob Lindsay

- Occupational Health and Safety & Environmental Manager – Christine Teague

Manager Communications and Corporate Relations – Paula Crookes

*Acting



On 17 December 2000, The Western Australian Government sold Westrail's freight business and entered into a lease of the rail freight network for 49 years.

Revenue from the freight business up to the date of the sale was \$126.6 million. This was around 4% ahead of budget, due to increased volumes for alumina, bauxite, caustic, iron ore and nickel. The grain task for the period to 17 December 2000 was in line with budget, although the projection for the remainder of the year was for a downturn because of a relatively low harvest.

Freight expenditure was over budget by 4%, as a result of higher than budgeted fuel prices, and the need to use road transport during a period of industrial action.

Overall the half year performance of the freight business in this period of uncertainty caused by the sale process was excellent, and showed a high level of commitment by all staff to ensure customer service was not unduly disrupted.

The sale of the business to the Australian Railroad Group (ARG), a consortium of Wesfarmers Limited and Genesee and Wyoming Inc. for a price of \$585m was part of a process of rail reform, which commenced in the 1980's and included:

- progressive deregulation of freight transport;
- the commercialisation of Westrail, including extensive contracting out of the maintenance services to the private sector;
- the imposition of competitive neutrality

measures on Westrail consistent with National Competition policy;

- the progressive elimination of Westrail's regulatory functions, with essential safety regulation transferred to the Department of Transport; and
- the development of a State rail access regime to facilitate rail-rail competition.

The sale process was directed by a Rail Freight Sale Task Force established by Cabinet, which reported directly to the Minister for Transport.

The previous Government's primary objectives for the sale of Westrail's freight business were:

- (i) To secure a purchaser who would:
 - introduce innovation and operating efficiencies;
 - grow the business, both in Western Australia and elsewhere;
 - invest in the business (both "above" and "below" rail assets) which are intended to deliver benefits that include:
 - better and cheaper services for existing users;
 - an improvement in the competitiveness of rail users versus road transport leading to a growth in rail's modal share;
 - economies of scale;
 - expansion of the network in response to new business;
 - continued support to regional development;
 - more competitive exports; and
 - a strong operator based in Western Australia that is able to compete nationally in rail transport.
- (ii) A fair resolution of all staff issues;
- (iii) Ensuring only legitimate risks and liabilities related to the rail freight industry in Western Australia are retained by Government; and
- (iv) The best possible (and fair) price consistent with the achievement of the other sale objectives.

continued



The total offer from ARG of \$585 million was comprised of:

	\$ million
Stamp duty	27.5
Lease rental	292.5
Purchase price per Sale Agreement	265.0
	<u>585.0</u>

The net proceeds of \$557.5 million to WAGR impact upon the financial report for the year ended 30 June 2001, and into the future.

Accounting for the Sale of Westrail's Freight Assets and Liabilities (i.e. above rail business)

From the net sale proceeds of \$265 million, the following amounts were deducted:

- written down value of the property, plant and equipment sold;
- capital works in progress transferred to ARG;
- inventory;
- employee transfer payments and superannuation adjustments;
- expenses of the sale;
- adjustments to balance sheet provisions.

This has resulted in a calculated net loss, on the sale of the business of \$116 million. This loss has been disclosed as an extraordinary item for the current financial year.

Accounting for the Operating Lease of WAGR's Leased Infrastructure

WAGR and ARG have entered into a 49 year lease of the below rail infrastructure. Lease rentals have been prepaid in full at the inception of the lease, amounting to \$292.5 million. ARG is required to maintain the leased infrastructure at a "fit for purpose" standard.

The prepaid rental will be brought to account in accordance with the terms of the lease being 49 years. At inception, the \$292.5 million has been credited to the balance sheet as deferred income and an appropriate amount will be released to the operating statement on an annual basis.

The annual rental released to the operating statement will reflect the time value of money. On that basis, appropriate inflation and discount rates will be applied over the term of the lease that derives a net present value of \$292.5 million. This will result in a derived interest expense element being brought to account over the term of the lease. In the current year, the interest element is nil, whereas in year 49, the interest amount will be approaching the rental amount.

Debt Retirement

The State utilised the net proceeds of \$557.5 million to retire a portion of the debt accumulated by WAGR.

Trading activities for the freight business from 1 July 2000 to 16 December 2000

The revenue and expenditure for the period prior to the sale of the freight business have been disclosed as ordinary activities.



Urban

Passenger Division

The Urban Passenger Division is responsible for the operation and management of Perth's urban rail passenger service in accordance with an Alliance Agreement with the Department of Transport.

Perth's railway system consists of 57 stations and four railway lines radiating outwards from Perth. WAGR operates train services between Perth and Currambine (29 kms), Perth and Fremantle (19 kms), Perth and Armadale (31 kms) and Perth and Midland (16 kms). The rail tracks to Armadale, Fremantle and Midland were constructed approximately 100 years ago and the line to Currambine was opened in 1992. The electrified system commenced full operation in September 1991 on the Armadale, Fremantle and Midland lines and in March 1993 on the Currambine line.

Performance

There are up to 4,637 services operated each week on the urban system. For this financial year punctuality for trains arriving within three minutes of the scheduled time was almost 98%, which is slightly up compared to last year's record performance level of 97%.

Patronage on the urban system increased by 4.8% on the previous year's figures to 31.1 million passenger boardings. Greater growth would have been experienced had there not been line closures due to station upgrade work.

An annual survey conducted by independent marketing consultants to measure performance and to indicate passenger satisfaction with the service again reflected a high overall satisfaction level of 86%.

The Urban Passenger Division recorded 11 lost time accidents during the year for 76 lost days, compared to 10 and 168 lost days the previous year.

Wendy Middleton Award for Customer Service

WAGR Urban Passenger Train Driver Don Joseman was the recipient of the highly prestigious 2000 Wendy Middleton Award for Customer Service - an annual awards program of the Australian Customer Service Association of Western Australia. Don won the award for providing a consistently high level of customer service.

WAGR's commitment to service means we value and respect feedback from our customers. All customer feedback is recorded in a centralised management information system and disseminated for action. There were 1218 customer comments this year compared to 1253 last year.

Initiatives

There is a continued commitment to a customer focus program that includes quality assurance; risk management and competency based training. For example the EMU (Electric Motorised Unit) Railcar Depot gained quality assurance certification to ISO 9001 for preventative maintenance, modification and cleaning of electric railcars in April 2001.

In addition a program to retrofit the existing railcar fleet with new features to assist access for all people, such as high visibility handrails, improved height and location of door operating buttons, digital station messaging system and wheel chair access bays commenced during the year.

Significant upgrade work was also undertaken at Maylands station, which is situated on the Midland line. The scope of work included a new pedestrian underpass with ramps and stairs, a new shelter facility, improved ticketing and information facilities including a change machine, and improved platform access for all patrons.

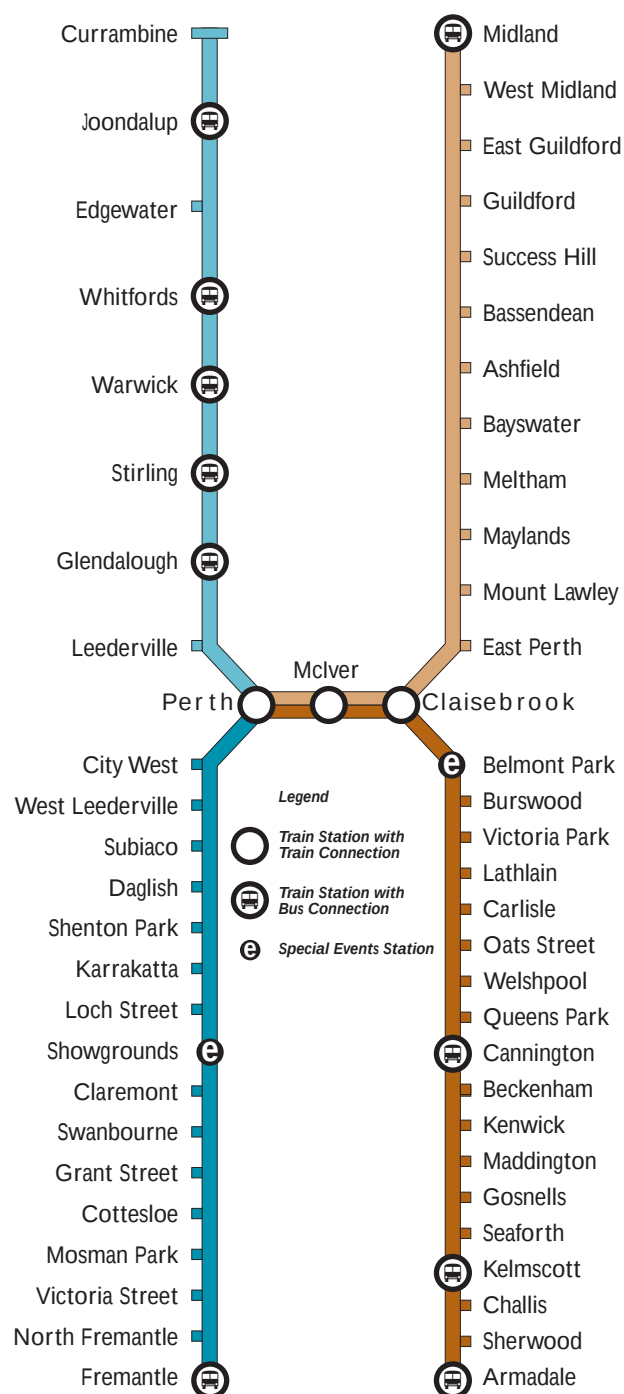
In November 2000 WAGR introduced a new policy to allow rail patrons to travel with their bicycles on trains free of charge. However in the interests of safety and comfort of passengers, there are restrictions during peak periods.

In addition WAGR and the Department of Transport have undertaken an upgrade program for bicycle lockers and U rails. The program includes the installation of 412 new lockers and 210 stainless steel U rails at most metropolitan railway stations. Use of the lockers is free, however users must provide their own lock and observe a 'code of use' for the lockers.

Security

There has also been a continued commitment to enhanced security on the urban rail system. To this end, many initiatives have commenced or are about to commence to improve security on the system. These include:

- The establishment of a 150 member Transit Guard squad to patrol every train;
- Introduction of a team of 50 State Police to patrol the rail system, particularly after dark;
- Ensuring that all night trains have at least two security personnel on board.



Urban System Map



The Country Passenger Division provides passenger train services between Perth and Bunbury (Australind), Perth and Northam (AvonLink) and Perth and Kalgoorlie (Prospector). In addition, a comprehensive network operated by road coaches extends north to Kalbarri, south east to Esperance, and to the south west including Albany, Pemberton and Augusta.

Special arrangements are in place with regional private operators of smaller passenger capacity coaches (minimum three star rating) to provide connecting services between Albany – Ravensthorpe, Bunbury – Collie – Boyup Brook, Northam – Mukinbudin. Similar arrangements are in place for passenger transport between Quairading and Bruce Rock, Ravensthorpe and Hopetoun, and Boxwood Hill and Bremer Bay.

The revenue earned from Country Passenger Services fares does not cover the full cost of the services provided and the shortfall is funded by the State Government as a Community Service Obligation.

Rail performance

The Prospector, Australind, AvonLink and the Merredin Shopper services operated efficiently throughout the year. Continued on-time running improvements can be expected in the future due to upgrading works to be carried out on the Perth-Kalgoorlie railway during the 2001-2002 financial year.

The overall rail patronage for 2000-2001 of 258,246 remains steady and is in line with the previous year's figures.

The Division incurred three lost time accidents during the financial year of which all were considered to be of a relatively minor nature. A downward trend has now been ongoing for three years and comes about through the intensive efforts of staff at all levels to ensure that safe working practises are maintained.

Road coach services

WAGR operates 23 long distance road coaches and carried 240,475 passengers during 2000-2001 with an on time running performance of 94% as compared to the target of 95%. Patronage was in line with budget and remains at the same level as 1999-2000.

Mr Ray Hebbard, Road Coach Operator, was selected as the Driver of the Year as part of an annual award conducted by the Mercedes Benz company. This is the third successive year that WAGR Road Coach Operators have reached the finalist stage.

Customer satisfaction

Each year one section of the market is identified and an independent market research survey is undertaken. This year the Australind train service was selected and the results are as follows:

Category	Satisfaction
Cleanliness of rollingstock	94%
Helpfulness of staff	91%
Value for money	90%
Time for the journey	87%
On time reliability	81%

Source – Paterson Market Research

continued

Capital works

Five major initiatives were undertaken throughout the year and were as follows:

- \$59 million has been set aside and construction has commenced on two, two car sets and one, three car set for the Prospector and one, two car set for the AvonLink. The new trains should commence service in the 2002-2003 financial year.
- Platforms at Harvey, Byford and Midland stations were raised to railcar height and designs have been completed for all other train stations involving Country Passenger services to bring wheelchair and mobility access to all.
- The construction of a new road coach facility located at the western end of the Westrail Centre in East Perth was substantially completed on 30 June 2001 and will provide a replacement home base for country road coaches.
- Specifications were completed during the financial year for the replacement of 23 road coaches. The new coaches should become operational during the 2002/2003 financial year.
- The new stabling point for the Prospector at Forrestfield was completed during the year to allow surplus land to be sold.

Commitment to Disability Services

The Division has a commitment to implement disability accessible infrastructure as and when the opportunity arises.

Examples of initiatives implemented in line with this commitment are as follows:

- New stations at Harvey and Byford and new ramps at Midland which provide access for wheelchairs at railcar height.
- Planning has been undertaken to design and develop a program to bring all Country Passenger rail stations to disability levels over the next four years. Funds have been set aside to achieve this objective.
- New Prospector and AvonLink rollingstock have been designed to provide wheelchair accommodation on all units plus a disability toilet on each train. A committee involving various relevant organisations has been established to ensure public consultation is maximised.
- A fleet of new long distance road coaches is currently being planned for acquisition with a specific design to include improved access for those with mobility difficulties. Design specifications were completed in June 2001. A consultation process with interested groups will be put in place.





As part of the organisational reform that was necessary as a result of the sale of the freight business in December 2000, the Network & Corridor Division was formed.

The successful transition from one framework to another is largely due to the commitment and dedication of the staff of the Network & Corridor Division who ensured that the focus on rail safety management was maintained throughout the process.

The Division is responsible for the management and maintenance of the WAGR railway network infrastructure and regional passenger infrastructure, in compliance with the WAGR Safety Management System accredited to Australian Standard AS4292.

The Division, on behalf of the Rail Corridor Minister also manages the corridor land on which the freight rail network is located and the lease of the freight railway.

In addition, the Division is responsible for the Commission's property including surplus land identification and disposal. It also manages access to the WAGR network ensuring that the requirements of the Railways (Access) Act 1998 are met by third party operators.

Performance

The WAGR Urban Passenger system operates on a major portion of the WAGR Network infrastructure. Maintaining the infrastructure to a high standard of both reliability and response to faults when they occur has assisted WAGR to achieve an on time running figure of close to 98% for the 2000-2001 financial year.

To ensure that the high standard of the track is maintained a continuous improvement program is in place at a cost of approximately \$1 million per year.

Additional key performance indicators are currently being developed in line with the new Division's business plan.

Major Projects

Major works carried out or commenced during the year included:

Security

A new security program will see approximately \$21 million spent over the next four years on capital works at train stations to improve passenger safety, including the installation of ticket barriers at 13 train stations.



The program will include upgrading stations with new lighting, special emergency phones and digital closed-circuit television and secured car parks at selected stations. In addition, a new long-line public address system will allow security personnel at a central location to broadcast information to would-be troublemakers at distant stations that they are being watched.

Upgrade of Maylands train station

Work commenced in late January 2001 on the \$3.87 million upgrade of the Maylands railway station and precinct.

The new station, which was near completion on 31 July 2001 transformed the shopping area at the junction of Whatley Crescent and Eighth Ave and greatly enhanced the area on the north side of the station including the vista to the Peninsula Hotel. This was achieved by removing the existing outdated pedestrian bridge and adjacent advertising hoardings, providing improved parking and Drop 'n' Ride facilities, new station access via an underpass and improved passenger facilities.

Land rationalisation

The major land rationalisation project for the last financial year was the subdivision of the Forrestfield Marshalling yards. This included the extension of Abernethy Road as an Important Regional Road from Tonkin Highway to the Great Eastern Highway bypass including a bridge across the railway at a total cost of \$8.7 million.

Forrestfield subdivision

The subdivision and cleanup activities at Forrestfield from the previous year's sale of land to Landcorp were completed early in the year.

Refurbishment of Westrail Centre

During the last financial year planning and designing work had been undertaken for the refurbishment of office space within the Westrail Centre at East Perth.

Urban Train Station Redevelopment Working Group

The Urban Train Station Redevelopment Working Group was established with the objective being to identify urban development opportunities to facilitate the WAGR urban passenger station capital works program and adjacent station precinct opportunities.

Corridor Management

The Network and Corridor Division is responsible, on behalf of the Rail Corridor Minister, for monitoring the condition of the leased freight railway and ensuring that the terms of the corridor land lease and of the agreement governing the sale of the Commission's freight business continue to be met.

In addition to the main lease of the freight railway network, there are approximately 250 minor leases on corridor land, which the Commission manages. Local government authorities hold many of these leases for civic purposes.

A key issue is the increasing demand for use of the corridor land for the installation of utility services, particularly telecommunications facilities. This requires a balance between ensuring optimum use of the corridor and protection of the efficient and safe operations of the railway.

The use of corridor land is governed by the Rail Freight System Act 2000 and the Rail Freight System Regulations 2000.



Statement of Corporate Governance

Corporate governance is the way an organisation is controlled or directed through its structures, policies and processes. Good corporate governance is the existence of an effective control environment to identify and manage business risks that arise from the implementation of business strategies. WAGR continues to set high standards in corporate governance and accountability and is committed to continuous improvement.

Internal Control Framework

The Corporate Issues and Compliance Group monitors organisational compliance in regard to:

- Railway safety management;
- Risk management;
- Quality management;
- Operational safeworking.

The Corporate Issues and Compliance Group is responsible for ensuring that all Divisions within WAGR adopt and carry out the Management System set of corporate procedures.

The Management System is integrated with key elements of Railway Safety, Risk Management and sound business practices structured on the Australian Standard AS4292 series framework.

Ethical Standards

WAGR is currently reviewing its Code of Conduct and its Code of Ethics as part of the Corporate Strategic Plan in the key areas of safety and staff.

The Code of Ethics is based on the code developed by the Office of the Public Sector Standards Commissioner and operates in conjunction with the Code of Conduct. The Code specifies values and behaviours in the areas of fairness, equity, lawful obedience, honesty, openness, respect, loyalty, integrity, protective care, efficiency, personal development and leadership, which all employees should comply with.

Statement of Compliance with Public Sector Standards

WAGR's human resource management policies and practices are subject to an ongoing review and, in accordance with section 31 (1) of the Public Sector Management Act, comply fully with the Public Sector Standards in Human Resource Management.

Statement of compliance with relevant written law*Enabling legislation*

Until December 17 2000, Westrail was the trading name of The Western Australian Government Railways Commission. Since the sale of WAGR's freight business in December the trading name has been The Western Australian Government Railways Commission.

The Commission is established under the Government Railways Act 1904 to direct, manage, maintain and control the government railways in Western Australia.

The Minister for The Western Australian Government Railways Commission includes any Minister of the Crown administering the Act and is responsible to Parliament for WAGR. Until February 11 2001, the Minister for Transport was the responsible Minister. As of February 12, 2001 the Minister for Planning and Infrastructure is the responsible Minister.

Legislation Administered

As stated in Section 8(2) of the Government Railways Act 1904, the Commission is responsible for the administration of this Act.

Legislation impacting on the Commission's activities

In the performance of its functions the Commission complies with all written relevant laws of Western Australia and reports on an annual basis in accordance with the following legislation:

Financial Administration and Audit Act 1985;
Electoral Act 1907;
Equal Opportunity Act 1984;
Superannuation & Family Benefit Act 1938;
Government Employees Superannuation Act 1987;
Heritage of Western Australia Act 1990
Library Board of Western Australia Act 1951-1983;
Freedom of Information Act 1992;
State Supply Commission Act 1991;
Occupational Safety & Health Act 1984;
Public Sector Management Act 1994;
Disability Services Act WA No 36 of 1993;
Rail Safety Act 1998;
State Trading Concerns Act 1916.

Other various Agreement Acts and written laws impact on the Commission's activities from time to time.

In the financial administration of WAGR we have complied with the requirements of the Financial Administration and Audit Act 1985. In addition we have complied with every other relevant written law and exercised controls, which provide reasonable assurance that, the receipt and expenditure of moneys and the acquisition and disposal of public property and incurring of liabilities have been in accordance with legislative provisions.

As at the date of signing we are not aware of any circumstances which would render the particulars included in this statement misleading or inaccurate.



Reece Waldock
Accountable Authority



John Leaf
Principal Accounting Officer

Application for Breach Standards

During 2000-2001, WAGR received five applications for breach of compliance requirements involving advertised positions, four relating to the recruitment, selection and appointment and one relating to transfer standards.

Position	Number of Applications	Compliance Requirements Allegedly breached	Outcomes
Driver Passenger Services	1	1.3	No breach of the standard
External applicants	2	1.3 & 1.4	No breach of the standard
Revenue Administration Officer	1	1.3	No breach of the standard
Engine Driver/Wages employee	1	2.4 & 2.7	Breach of compliance requ.

Of the five alleged breaches, WAGR was found to have breached one of the compliance requirements. There were no outstanding reviews at the end of the year.



Employee Numbers

Pre-sale (1 July 2000 – 16 Dec. 2000)

Category	2000
Commission	14
Finance & Administration	67
Standards	26
Freight	797
Urban Passenger	256
Country Passenger	90
Network/Projects	284
Total	1,534

Post-sale (17 Dec. 2000 – 31 June 2001)

Category	2001
Commission	*73
Finance	12
Urban Passenger	273
Country Passenger	107
Network & Corridor	77
Total	542

The significant change in employee numbers during the course of year is due to sale of WAGR's freight business.

* Includes 52 surplus staff.

Workers' Compensation

Through the continuous improvement of WAGR's safety management systems there has been a reduction in the total number of lost time accidents that have occurred during the year from 55 to 49.

The commitment and focused approach to the rehabilitation of staff has enabled the duration of absences from work due to accidents at work to be reduced.

Other Information

Industrial Relations

With the Government's labour relations policy focus shifting from individual to collective agreements, WAGR is working toward implementing bargaining arrangements consistent with Government policy.

WAGR Industrial Agreements developed since the sale of the freight business include a new agreement for signal technicians and maintainers, which provides for the introduction of competency based classification criteria and structure.

During the past financial year, time lost through industrial action totalled 309.47 hours.

Government Two-Year Plan for Women – Women's Policy Development Office

The plan, initiated in 1998 by the Women's Policy Development Office in consultation with Government agencies, involved recognising and responding to women's needs and expectations in five priority areas, which were customer focus, safety, health, economic independence and decision making.

Compared to the previous year, the number of women employed by the WAGR has doubled to 10% of the workforce. The demographic breakdown across the organisation now includes women in several senior management positions.

continued

Electoral Amendment (Political Finance) Act 1992

Under section 175ZE of the above mentioned Act, WAGR is required to disclose expenditure for polling, direct mail organisations, advertising agencies, market research and media advertising organisations costs. The following costs were recorded against these items:

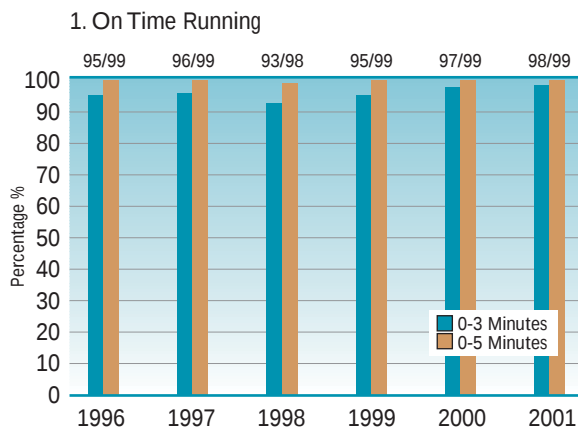
	2001 \$	2000 \$
— Polling organisations:	Nil	Nil
— Direct Mail organisations:	Nil	Nil
— Advertising agencies:		
Advance Press	1,610	Nil
Avon Arc Co-operative	Nil	3,098
Beilby Management Services	6,835	Nil
Copy Type & Design	Nil	4,638
Definition	1,596	Nil
Design Design Graphic Management	Nil	5,775
Executive Media Pty Ltd	1,099	Nil
Final Print Pty Ltd	2,273	Nil
Illustrations Pty Ltd	1,567	Nil
Informa Australia Pty Ltd	3,097	Nil
JDA Pty Ltd	Nil	4,526
Marketforce Limited	40,283	87,380
	56,750	105,417
— Market research agencies:		
BSD Consultants	Nil	30,000
Donovan Research	7,108	10,912
Market Equity	14,000	15,705
	21,108	56,617
— Media advertising agencies:		
Media Decisions	3,468	9,199
Training Publications of WA	Nil	1,540
	3,468	10,739
— Total	81,326	172,773

Performance Indicators

On the 17th of December 2000 the freight business was sold. Key Performance Indicators for the freight business have not been presented for the period up to the date of the sale because WAGR is no longer in the business of freight transport.

URBAN PASSENGER BUSINESS

The outcome of the Urban Passenger Division is to provide a high quality, attractive and efficient rail urban passenger service.



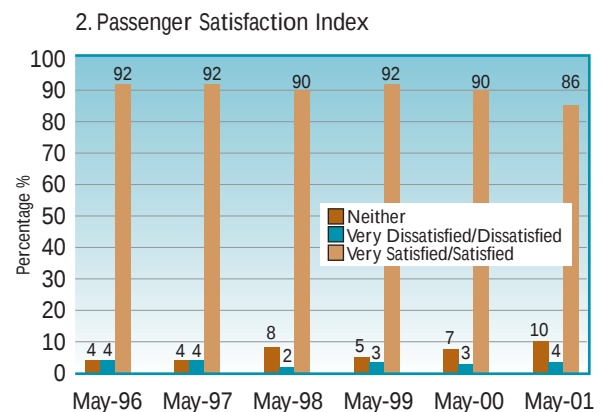
(i) On Time Running

Highest ever on time running performance was achieved. The on time performance figures were nearly 98% (0-3 minutes) and 99% (0-5 minutes). The target for 2001 was 97%. (Graph 1)

(ii) Passenger Satisfaction Index

An annual passenger survey is undertaken to provide a comparative performance indicator and highlights issues from a patron's perspective which warrant further consideration. The survey is conducted by independent consultants who interviewed a sample of 781 passengers travelling on all suburban lines. 477 passengers responded to the survey providing a response rate of 61%. The total population of urban rail users is estimated to be 124,600 and is based on total passengers boardings. This provides a standard error rate of +/- 4.48% at a 95% confidence level.

An interviewer is assigned over a four week period commencing in March 2001 across all days of the working week and weekend. A questionnaire is used by the interviewer and respondents are asked to refer to the 'last trip' taken at the patron's 'usual trip time'. The passenger survey showed a satisfaction level of



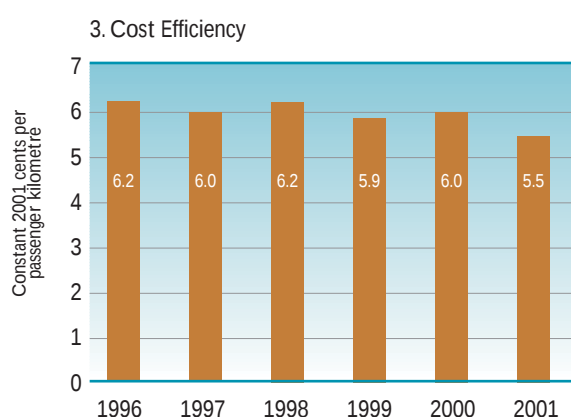
Performance Indicators cont.

86%. The target for 2001 was 92%. (Graph 2)

(iii) Cost Efficiency

WAGR operates the Urban Passenger Service under an Alliance Agreement with the Department of Transport. Efficiency in the production of these services is best measured by the cost of producing a railcar passenger kilometre.

This year's cost efficiency shows an increasing positive trend of a reduction in the cost index. Previous years figures have been adjusted for the effects of inflation.



(Graph 3)

Railcar Passenger Kilometres

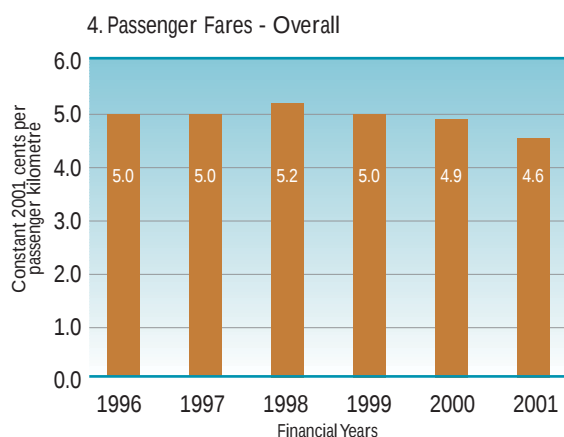
2001 - 2,004,363,660
 2000 - 1,956,108,971
 1999 - 1,954,347,410
 1998 - 1,947,167,650

COUNTRY PASSENGER BUSINESS

The outcome of the Country Passenger business is to provide attractive and efficient country rail and road transport services.

(i) Fares

Country Passenger Fares have not changed since June 1994. Graph 4 shows the overall passenger fares which are calculated using the full paying fare divided by the amount of passenger kilometres travelled. Previous years' figures have been adjusted for inflation.



Graph 5 shows the passenger fares for the individual services. Previous years figures have been adjusted for inflation.



(ii) On Time Running

Passengers expect on time arrivals as part of a quality service. Graph 6 shows the on time performance of the individual services compared to previous years. The target for 2001 was 95% for Road Coaches, Australind and Avon Link, and 85% for the Prospector.

(Note that for the Prospector the on time running standard is within 15 minutes of scheduled arrival time but for the Australind, Avon Link and Road Coaches the on time running standard is within 10 minutes of scheduled arrival time).

Performance Indicators cont.

Prospector Service

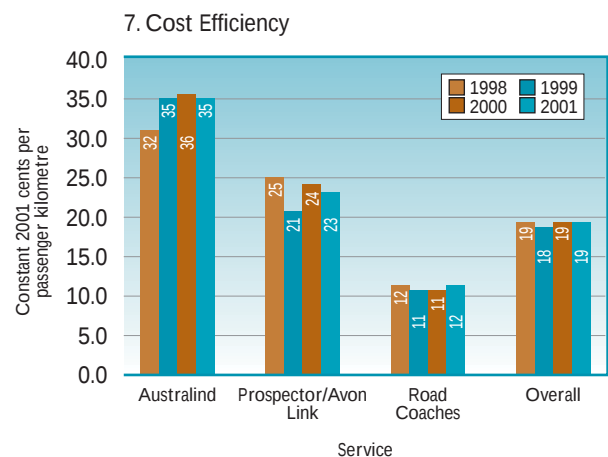
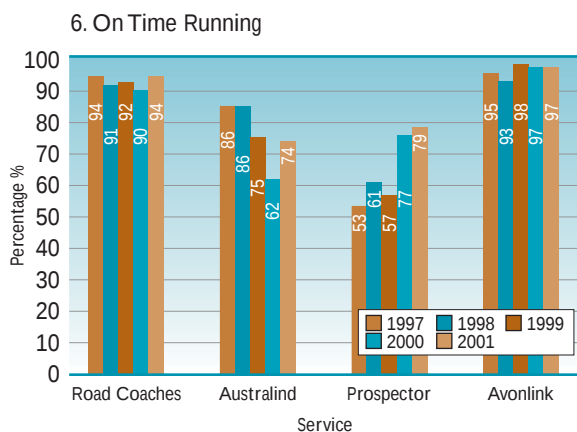
Continued improvement due to upgrading of track which is currently still ongoing.

Australind Service

Substantial improvement due to track and signalling upgrade during the year.

(iii) Cost Efficiency

Efficiency in the production of Country Passenger Services is best measured by the cost of producing a Passenger Kilometre (ie one passenger being transported for a distance of one kilometre). Graph 7 shows the overall efficiency of the Country Passenger Business, together with data for the individual services. Previous years figures have been adjusted for inflation.



CERTIFICATION OF PERFORMANCE INDICATORS

I hereby certify that these Performance Indicators are based on proper records and fairly represent the performance of the Western Australian Government Railways Commission for the year ended June 30, 2001.

Reece Waldock
Accountable Authority

August 30, 2001

To the Parliament of Western Australia

The Western Australian Government Railways Commission performance indicators for the year ended June 30, 2001

Scope

I have audited the key effectiveness and efficiency performance indicators of The Western Australian Government Railways Commission for the year ended June 30, 2001 under the provisions of the Financial Administration and Audit Act 1985.

The Commission is responsible for developing and maintaining proper records and systems for preparing and presenting performance indicators. I have conducted an audit of the key performance indicators in order to express an opinion on them to the Parliament as required by the Act. No opinion is expressed on the output measures of quantity, quality, timeliness and cost.

My audit was performed in accordance with section 79 of the Act to form an opinion based on a reasonable level of assurance. The audit procedures included examining, on a test basis, evidence supporting the amounts and other disclosures in the performance indicators, and assessing the relevance and appropriateness of the performance indicators in assisting users to assess the Commission's performance. These procedures have been undertaken to form an opinion as to whether, in all material respects, the performance indicators are relevant and appropriate having regard to their purpose and fairly represent the indicated performance.

The audit opinion expressed below has been formed on the above basis.

Audit Opinion

In my opinion, the key effectiveness and efficiency performance indicators of The Western Australian Government Railways Commission are relevant and appropriate for assisting users to assess the Commission's performance and fairly represent the indicated performance for the year ended June 30, 2001.



D D R Pearson
Auditor General
September 21, 2001



THE WESTERN AUSTRALIAN GOVERNMENT RAILWAYS COMMISSION

FINANCIAL STATEMENTS
2000/2001



2001 Financial Statements Index

Statement of Financial Performance for the year ended 30 June 2001	
Statement of Financial Position as at 30 June 2001	
Statement of Cash Flows for the year ended 30 June 2001	
Note 1 Significant Accounting Policies	29
Note 2 Dividends	33
Note 3 Employee expenses	33
Note 4 Supplies and services	33
Note 5 Depreciation	33
Note 6 Borrowing costs	34
Note 7 Freight revenue	34
Note 8 Urban passenger revenue	34
Note 9 Country passenger revenue	34
Note 10 Community service obligations	34
Note 11 Land Rationalisation revenue	35
Note 12 Operating Lease Revenue	35
Note 13 Net profit on disposal of non current assets	35
Note 14 Other revenues from ordinary activities	35
Note 15 Appropriation	35
Note 16 Income tax equivalents	35
Note 17 Loss from extraordinary item	36
Note 18 Restricted cash assets	36
Note 19 Inventories	37
Note 20 Receivables	37
Note 21 Other assets	37
Note 22 Property plant and equipment	37
Note 23 Interest bearing liabilities	40
Note 24 Provisions	40
Note 25 Other liabilities	41
Note 26 Deferred Income – Operating Lease	41
Note 27 Contributed equity	41
Note 28 Reserves	41
Note 29 Accumulated surplus (deficit)	41
Note 30 Notes to the statement of cash flows	42
Note 31 Commitments for expenditure	43
Note 32 Contingent liabilities and claims not recognised in the financial statements	44
Note 33 Gifts of public property	44
Note 34 Remuneration and retirement benefits of members of the accountable authority and senior officers	44
Note 35 Remuneration of auditors	45
Note 36 Revenue and cost of services explanatory statement	45
Note 37 Explanations of major capital expenditure variations	47
Note 38 Losses through thefts defaults and other causes	49
Note 39 Financial instruments	50
Note 40 Segment reporting	52
Note 41 Railway Corridor Minister	52
Certification of Financial Statements	52
Opinion of the Auditor General – Financial Statements	53

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2001

	NOTES	2001 \$000	2000 \$000
COST OF SERVICES			
Expenses from ordinary activities			
Employee expenses	3	66,813	94,398
Supplies and services	4	93,165	118,709
Depreciation expense	5	47,295	71,610
Borrowing costs expense	6	106,842	82,411
Operating lease expense		5,120	5,080
Energy and fuel		18,946	34,485
Land Rationalisation expense		14,232	11,387
Total cost of services		352,413	418,080
Revenues from ordinary activities			
Freight revenue	7	126,118	257,268
Urban Passenger revenue	8	110,234	111,652
Country Passenger revenue	9	6,853	6,975
Community service obligations	10	35,743	21,116
Land Rationalisation revenue	11	1,968	34,664
Operating lease revenue	12	8,779	0
Net profit on disposal of non current assets	13	7	227
Interest revenue		871	528
Other revenues from ordinary activities	14	21,454	32,032
Total revenues from ordinary activities		312,027	464,462
NET COST OF, (SURPLUS FROM) SERVICES		40,386	(46,382)
Revenues from government			
Appropriation	15	3,829	2,638
Total Revenues from Government		3,829	2,638
CHANGE IN NET ASSETS BEFORE INCOME TAX EQUIVALENTS		(36,557)	49,020
Income Tax Equivalents	16	0	1,180
CHANGE IN NET ASSETS AFTER INCOME EQUIVALENTS		(36,557)	47,840
Loss from extraordinary item after income tax equivalents	17	(116,037)	0
CHANGE IN NET ASSETS		(152,594)	47,840

The Statement of Financial Performance to be read in conjunction with the accompanying notes

STATEMENT OF FINANCIAL POSITION

as at 30 June 2001

	NOTES	2001 \$000	2000 \$000
Current Assets			
Cash assets		28,599	5,740
Restricted cash assets	18	1,230	3,238
Inventories	19	3,566	22,548
Receivables	20	5,165	28,992
Other assets	21	155	9,799
Total Current Assets		38,715	70,317
Non Current Assets			
Property, plant and equipment	22	1,073,624	1,333,764
Deferred tax assets	16	2,389	2,969
Total Non Current Assets		1,076,013	1,336,733
TOTAL ASSETS		1,114,728	1,407,050
Current Liabilities			
Payables		32,186	68,073
Interest bearing liabilities	23	25,644	38,495
Provisions	24	7,732	32,558
Other liabilities	25	1,405	3,238
Deferred Operating Lease Revenue	26	17,306	0
Total Current Liabilities		84,273	142,364
Non Current Liabilities			
Interest bearing liabilities	23	720,339	1,061,905
Provisions	24	1,241	6,906
Deferred tax liabilities	16	30,489	31,068
Deferred Operating Lease Revenue	26	266,386	0
Total Non Current Liabilities		1,018,455	1,099,879
TOTAL LIABILITIES		1,102,728	1,242,243
NET ASSETS		12,000	164,807
Equity			
Contributed equity	27	113,018	113,018
Reserves	28	18,077	18,077
Accumulated surplus (deficiency)	29	(119,095)	33,712
TOTAL EQUITY		12,000	164,807

The Statement of Financial Position to be read in conjunction with the accompanying Notes.

STATEMENT OF CASH FLOW

for the year ended 30 June 2001

	NOTES	2001 \$000	2000 \$000
CASH FLOWS FROM/ (TO) GOVERNMENT			
Superannuation payment		(6,067)	0
Community service obligations		35,918	20,855
Land sale proceeds		3,829	2,639
Consolidated fund principal repayment		0	164
Dividends and Tax equivalents		(18,213)	(36,871)
Net cash provided by/ (to) Government		15,467	(13,213)
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee costs		(124,362)	(83,414)
Supplies and services		(177,267)	(178,898)
Borrowing costs		(98,516)	(84,051)
GST payments to taxation authority		(36,759)	0
GST on purchases		(20,132)	0
Receipts			
Receipts from customers		209,850	265,863
Urban passenger recoup from Department of Transport		100,679	111,652
Interest received		1,007	853
GST on sales		55,178	0
GST receipts from taxation authority		538	0
Proceeds from prepaid lease of freight network		292,472	0
Net cash provided by operating activities	30	202,688	32,005
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of non-current assets – other than Freight Business Assets		4,127	42,567
Proceeds from sale of Westrail Freight business		260,055	0
Proceeds from sale of investments		0	6
Purchase of non-current assets		(86,096)	(132,969)
Net cash provided by/(used in) investing activities		178,086	(90,396)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		214,768	108,000
Repayment of borrowings		(578,460)	(31,834)
Other repayments		(11,698)	(8,981)
Net cash provided by financing activities		(375,390)	67,185
Net increase/(decrease) in cash held		20,851	(4,419)
Cash assets at the beginning of the financial year		8,978	13,397
CASH ASSETS AT THE END OF THE FINANCIAL YEAR	30	29,829	8,978

The Statement of Cash Flow to be read in conjunction with the accompanying Notes.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2001

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The Western Australian Government Railways Commission is established under the Government Railways Act 1904 to direct, manage, maintain and control the government railways in Western Australia.

The following accounting policies have been adopted in the preparation of the financial statements. Unless otherwise stated these policies are consistent with those adopted in the previous year.

General Statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and Urgent Issues Group Consensus Views as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording. The Financial Administration and Audit Act and the Treasurer's Instructions are legislative provisions governing preparation of financial statements and take precedence over Australian Accounting Standards and Urgent Issues Group Consensus Views. The modifications are intended to fulfil the requirements of general application to the public sector, together with the need for greater disclosure and also to satisfy accountability requirements.

If any such modification has a material or significant financial effect upon the reported results, details of that modification and, where practicable, the resulting financial effect, are disclosed in individual notes to the financial statements.

Basis of accounting

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention, with the exception that certain non-current assets have been measured at valuation.

(a) Appropriations

Appropriations in the nature of revenue, whether recurrent or capital, are recognised as revenues in the period in which WAGR gains control of the appropriated funds.

(b) Passenger Revenue

- (i) Urban Passenger - WAGR recoups from the Department of Transport the total cost of Urban rail services performed under an agreement with the Department of Transport .
- (ii) Country Passenger - WAGR receives direct funding from State Treasury for the net cost of Community Service Obligations performed.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2001

(c) Depreciation of non-current assets

All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their future economic benefits.

Depreciation is provided for on the straight line basis using rates which are reviewed annually. Major depreciation rates for each class of depreciable asset are:

Class of asset	Major depreciation rates
Owned Assets	
Buildings, miscellaneous	2%
Rollingstock	3%
Permanent way	3%
Plant and equipment	10%
Motor vehicles	14%
Protection Equipment	3%
Freight Network Infrastructure*	2%
Leased Assets	
Wagons	3%
Railcars - diesel	2%
Railcars - electric	4%

* Freight Network Infrastructure has been leased for 49 years, commencing on 17 December 2000 (prior to this the asset was classified as Permanent Way and depreciated at the rate shown above).

(d) Employee Entitlements

Annual leave

This entitlement is recognised at current remuneration rates and is measured at the amount unpaid at the reporting date in respect to employees' service up to that date.

Long service leave

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given, when assessing expected future payments, to expected future wage and salary levels including relevant on costs, experience of employee departures and periods of service. Expected future payments are discounted using interest rates to obtain the estimated future cash outflows.

This method of measurement of the liability is consistent with the requirements of Australian Accounting Standard AAS 30 "Accounting for Employee Entitlements".

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2001

Superannuation

Staff may contribute to the Superannuation and Family Benefits Act Scheme, a defined benefits pension scheme now closed to new members, or to the Gold State Superannuation Scheme, a defined benefit and lump sum scheme now also closed to new members. All staff who do not contribute to either of these schemes become non-contributory members of the West State Superannuation Scheme, an accumulation fund complying with the Commonwealth Governments Superannuation Guarantee (Administration) Act 1992.

The liability for superannuation charges incurred under the Superannuation and Family Benefits Act pension scheme, together with the pre-transfer service liability for employees who transferred to the Gold State Superannuation Scheme, were assumed by State Treasury as part of the financial restructure arrangement entered into with State Treasury in July 1996.

The liability for Superannuation charges made under the Gold State and West State Superannuation Schemes are extinguished by the periodic payment of employer contributions to the Government Employees Superannuation Board.

The note disclosure required by paragraph 51(e) of AAS30 (being the employer's share of the difference between employees' accrued superannuation benefit and the attributable net market value of plan assets) has not been provided. State scheme deficiencies are recognised by the state in its whole of government reporting. The Government Employees Superannuation Board's records are not structured to provide the information for WAGR. Accordingly, deriving the information for WAGR is impractical under current arrangements, and thus any benefits thereof would be exceeded by the cost of obtaining the information.

(e) Leases

Rights and obligations under finance leases, which are leases that effectively transfer to WAGR substantially all of the risks and benefits incident to ownership of the leased items, are initially recognised as assets and liabilities equal in amount to the present value of the minimum lease payments. The assets are disclosed as railcars and wagons under lease, and are depreciated to the Statement of Financial Performance over the period during which WAGR is expected to benefit from use of the leased assets. Minimum lease payments are allocated between interest expense and reduction of the lease liability, according to the interest rate implicit in the lease.

Finance lease liabilities are allocated between current and non-current components. The principal component of lease payments due on or before the end of the succeeding year is disclosed as a current liability, and the remainder of the lease liability is disclosed as a non-current liability.

WAGR has entered into a number of operating lease arrangements where the lessor effectively retains all of the risks and benefits incident to ownership of the items held under the operating leases. Equal instalments of the lease payments are charged to the Statement of Financial Performance over the lease term as this is representative of the pattern of benefits to be derived from the leased assets.

(f) Prepaid Lease Revenue

The sale of the Freight Business on 17 December 2000, included an Operating Lease of the Freight Network infrastructure for 49 years between WAGR and Westnet Rail Pty Limited. The lease rentals were fully prepaid on 17 December 2000, and credited to Deferred Operating Lease Revenue. The annual rental from this lease is recognised as revenue, together with an associated interest expense, in accordance with net present value principles using a nominal discount rate that recognises the real discount rate, and underlying inflation.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2001

g) Receivables

Receivables are recognised at the amounts receivable as they are generally settled within thirty days. Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised where some doubts as to collection exists.

(h) Payables

Payables, including accruals not yet billed, are recognised when WAGR becomes obliged to make future payments as a result of a purchase of assets or services. Payables are generally settled within 30 days.

(i) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs are assigned by the method most appropriate to each particular class of inventory, with the majority being valued on a weighted average cost basis.

(j) Interest-bearing liabilities

Loans are recorded at an amount equal to the net proceeds received. Borrowing costs expense is recognised on an accrual basis.

(k) Revenue Recognition

Revenue from the sale of goods and disposal of other assets and the rendering of services, is recognised when WAGR has passed control of the goods or other assets or delivery of the service to the customer

(l) Comparative Figures

The presentation of the financial statements has been based on the net cost of service format. In prior years a commercial format was adopted. The change was necessary following the sale of the freight business on 17 December 2000, because the remaining activities of The Western Australian Government Railways Commission are not of a commercial nature.

Comparative figures are, where appropriate, reclassified so as to be comparable with the figures presented in the current financial year.

(m) Land Rationalisation Project

The Land Rationalisation project which commenced in July 1997 identifies and where commercially viable, sells surplus property. Costs associated with this project are deferred where it is considered probable that the proceeds of sale would more than recoup the deferred costs. All other costs are expensed as incurred. As at June 30, 2001 there were no deferred costs associated with future sale proceeds.

The net proceeds from the sale of land are paid to Treasury by the Department of Land Administration. Treasury then transfers an equivalent appropriation to WAGR.

(n) Tax Effect Accounting

The Commission entered into a tax effect equivalent regime ("TER") in 1996 whereby an equivalent amount in respect of income tax is payable to the State Treasury. The calculation of the liability in respect of income tax is governed by TER guidelines and directions approved by Government.

As a consequence of participating in the TER, the Commission is required to comply with Accounting Standard AAS 3 "Accounting for Income Tax (Tax Effect Accounting)".

Under Tax-Effect Accounting, the income tax expense shown in the Statement of Financial Performance is based on the pre-tax accounting profit adjusted for income and expenses never to be assessed as income or allowed as being deductible for taxation purposes ("permanent differences").

Timing differences which arise due to income and expense items being recognised in different accounting periods for accounting and tax purposes, are brought to account as either a provision for deferred income tax or as a non-current asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits in relation to timing differences are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future tax benefits in relation to tax losses are not brought to account unless the benefit can be regarded as being virtually certain of realisation.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2001

NOTE 2 DIVIDENDS

As part of financial arrangements with State Treasury, WAGR previously made dividend payments to the State to ensure a neutral impact on the Consolidated Fund.

As a result of the sale of the Freight Business on 17 December 2000, WAGR no longer earns a commercial return. Treasury has determined that the payment of Dividends is no longer applicable to WAGR and that the dividend payment of \$18M owing at 30 June 2000 is waived.

	2001 \$000's	2000 \$000's
NOTE 3 EMPLOYEE EXPENSES		
Wages and Salaries	52,180	81,313
Payroll Tax	3,357	4,769
Superannuation	4,631	6,498
Workers compensation	2,969	2,529
Changes to provision for annual and long service leave	3,676	(711)
TOTAL	66,813	94,398

NOTE 4 SUPPLIES AND SERVICES

Consultants and Contractors	61,597	77,306
Materials	10,917	21,925
Other	20,651	19,478
TOTAL	93,165	118,709

NOTE 5 DEPRECIATION EXPENSE

Owned Assets		
Buildings	6,287	8,280
Rollingstock	7,783	13,457
Permanent way	20,101	33,723
Plant and equipment	1,834	3,043
Motor vehicles	518	953
Freight Network Infrastructure	6,003	0
Other	0	7,189
Leased Assets		
Wagons	104	300
Railcars - diesel	151	151
Railcars- electric	4,514	4,514
TOTAL	47,295	71,610

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2001

	2001 \$000's	2000 \$000's
NOTE 6 BORROWING COSTS EXPENSE		
Western Australian Treasury Corporation loans *	105,532	75,531
Commonwealth loans	378	392
Treasurer's Advance Account - Bank Account	0	1,458
Financial Leases	932	5,030
TOTAL	106,842	82,411

* Includes an amount of \$43.8 million related to the refinancing of the loan portfolio at current interest rates following the sale of the freight business.

NOTE 7 FREIGHT REVENUE

Freight Revenue	126,118	257,268
The Freight Business was sold on 17 December 2000		

NOTE 8 URBAN PASSENGER REVENUE

Re-coup from Department of Transport	110,234	111,652
--------------------------------------	---------	---------

NOTE 9 COUNTRY PASSENGER REVENUE

Fares from passengers	6,853	6,975
The difference between the total cost of providing Country Passenger services and the fares collected from passengers is funded as a Community Service Obligation (see note 10).		

NOTE 10 COMMUNITY SERVICE OBLIGATIONS (CSO)

Country Passenger	Australind	6,761	6,665
	Prospector / AvonLink	7,655	7,950
	Road Services	5,770	4,954
	Total Country Passenger	20,186	19,569
Other	Indian Pacific	624	678
	Midland Workshops Maintenance/Security	0	737
	Hotham Valley / Other Services	0	132
	Residual Freight Debt Servicing	10,607	0
	Surplus employees	1,788	0
	Post Freight Sale Transitional Costs	1,070	0
	Corridor and Network Management	1,468	0
	Total other	15,557	1,547
TOTAL		35,743	21,116

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2001

	2001 \$000's	2000 \$000's
--	-----------------	-----------------

NOTE 11 LAND RATIONALISATION REVENUE

Sale of freehold land belonging to WAGR	1,968	34,664
---	-------	--------

NOTE 12 OPERATING LEASE REVENUE

Rental revenue from Freight Network Infrastructure	8,779	0
--	-------	---

NOTE 13 NET PROFIT ON DISPOSAL OF NON CURRENT ASSETS

Net profit on sale of non-current assets	7	227
--	---	-----

The gross proceeds from sale of non-current assets were :-	10	5,265
--	----	-------

NOTE 14 OTHER REVENUES FROM ORDINARY ACTIVITIES

Rent of property	7,242	6,982
External Works	7,610	6,444
Salvage	404	1,055
Intersystem Passenger	73	174
Miscellaneous	3,136	1,288
Railway Corridor Leases	266	0
Contribution of Assets –Graham Farmer Freeway	0	15,781
Contribution of Assets – Subiaco Tunnel	0	308
Contribution of Assets – Level Crossings	2,723	0
TOTAL	21,454	32,032

NOTE 15 APPROPRIATION

Appropriation from Treasury from the sale of land by the Department of Land Administration.	3,829	2,638
---	-------	-------

NOTE 16 INCOME TAX EQUIVALENTS

The income tax equivalent attributable to the financial year differs from the amount calculated on the change in net assets before income tax equivalent. The differences are reconciled as follows: -

Change in Net Assets before Income Tax Equivalent and including extraordinary items	(152,594)	49,020
Income Tax calculated at 34% (2000 - 36%)	(51,882)	17,647

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2001

	2001 \$000's	2000 \$000's
Tax effect of permanent differences		
Land Rationalisation Sales	2,892	(9,329)
Freight Sale – Capital Profit on Asset Sale	29,580	0
Freight Sale – Non deductible sale costs	823	0
Building depreciation	479	704
Profit on sale of assets	100	(397)
Asset Contributions - Graham Farmer Freeway	0	(5,681)
Asset Contributions - Subiaco Tunnel	0	(111)
Asset Contributions – Level Crossings	(926)	0
Restatement of deferred tax balances – Note (i)	(3,306)	(1,653)
Tax losses not brought to account – Note (ii)	22,238	0
Total Tax Expense	0	1,180
The total income tax equivalent comprises:		
Movement in: Provision for Income Tax	0	0
Provision for Deferred Income Tax	(580)	(1,283)
Movement in: Future Income Tax Benefit	580	2,463
	0	1,180
Deferred tax assets: Future Income Tax Benefit	2,389	2,969
Deferred tax liabilities:	30,489	31,068

Note (i) Legislation reducing the company tax rate from 34% to 30% in respect of the 2001/2002 income tax year was announced on September 21, 1999 and received Royal Assent on December 10, 1999. As a consequence, deferred tax balances which are expected to reverse in the 2001/2002 or later income tax year have been restated using the appropriate new rates, depending on the timing of their reversal.

Note (ii) The potential future income tax benefit arising from tax losses has not been recognised as an asset because recovery of tax losses is not virtually certain.

NOTE 17 LOSS FROM EXTRAORDINARY ITEM

Loss on sale of Freight Business	116,037	0
----------------------------------	---------	---

WAGR entered into a sale agreement of the Westrail Freight Business with Australian Railroad Group (ARG), which was completed on 17 December 2000. The agreement was for the sale of certain Westrail Freight Business assets. The sale of the Freight Business also included an Operating Lease of the Freight Network Infrastructure for 49 years between WAGR and Westnet Rail Pty Ltd. This lease agreement is accounted for separately and is not included in the loss on sale of the Freight Business.

NOTE 18 RESTRICTED CASH ASSETS

The following cash assets are restricted because they are held by WAGR on behalf of third parties, subject to certain conditions.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2001

	2001 \$000's	2000 \$000's
Contractors' deposits	792	2,855
Payments held in suspense	154	115
Railway Servants' Benefit Trust	284	268
TOTAL	1,230	3,238

NOTE 19 INVENTORIES

Inventories at cost	3,984	23,684
Less: provision for obsolescence	(418)	(1,136)
TOTAL	3,566	22,548

NOTE 20 RECEIVABLES

Debtors	4,267	28,350
Less - Provision for doubtful debts	(283)	(341)
Goods and Services Tax Receivable	1,175	0
Other receivables – External works	6	983
TOTAL	5,165	28,992

NOTE 21 OTHER ASSETS

Prepayments	155	9,799
-------------	-----	-------

NOTE 22 PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT AT COST

Owned Assets

Land & buildings	201,839	273,321
Rollingstock	79,139	327,721
Permanent way	255,588	1,052,505
Freight network infrastructure	828,600	0
Plant and equipment	18,980	41,556
Motor vehicles	9,573	10,385

Leased Assets

Wagons	0	9,089
Railcars - diesel	7,916	7,916
Railcars - electric	135,750	135,750
TOTAL	1,537,385	1,858,243

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2001

	2001 \$000's	2000 \$000's
ACCUMULATED DEPRECIATION:		
Owned Assets		
Land & buildings	51,895	63,341
Rollingstock	22,418	108,988
Permanent way	68,053	329,219
Freight network infrastructure	286,653	0
Plant and equipment	6,279	15,899
Motor vehicles	7,514	7,748
Leased Assets		
Wagons	0	4,517
Railcars - diesel	7,728	7,577
Railcars - electric	41,140	36,625
TOTAL	491,680	573,914
WRITTEN DOWN VALUE:		
Owned Assets		
Land & buildings	149,944	209,980
Rollingstock	56,721	218,734
Permanent way	187,535	723,286
Freight network infrastructure	541,948	0
Plant and equipment	12,701	25,657
Motor vehicles	2,058	2,637
Leased Assets		
Wagons	0	4,572
Railcars - diesel	188	339
Railcars - electric	94,610	99,125
TOTAL PROPERTY, PLANT & EQUIPMENT AT COST	1,045,705	1,284,330
PROPERTY, PLANT & EQUIPMENT AT VALUATION:		
Protection Equipment (at WAGR valuation 1998)	18,040	18,040
Accumulated Depn:	(5,978)	(4,766)
Written Down Value:	12,062	13,274
TOTAL PROPERTY, PLANT & EQUIPMENT AT COST AND VALUATION	1,057,767	1,297,604
Capital Works in Progress	15,857	36,160
GRAND TOTAL	1,073,624	1,333,764

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2001

Crown land forming the railway corridor, associated with the Freight Network Infrastructure, previously with nil value was transferred to the Railway Corridor Minister from 17 December 2000.

Reconciliations

Reconciliations of the carrying amounts of property, plant and equipment and vehicles at the beginning and end of the current and previous financial year are set out below:

2001

	Land & Buildings	Rollingstock Protection	Permanent Way/ Protection Equipment	Freight Network Infrastructure	Plant & Equipment	Motor Vehicles	Leased Wagons	Leased Railcars	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Carrying amount At start of year									
▶	209,980	218,734	736,559	0	25,657	2,637	4,572	99,464	1,297,603
Additions	2,632	3,137	161,644	0	1,014	56	14	0	168,497
Disposals	(45,064)	(157,367)	(146,613)	0	(7,394)	(117)	(4,484)	0	(361,039)
Other Movement(1)	(11,317)	0	(531,892)	547,951	(4,742)	0	0	0	0
Depreciation	(6,287)	(7,783)	(20,101)	(6,003)	(1,834)	(518)	(103)	(4,666)	(47,295)
Carrying amount At end of year									
▶	149,944	56,721	199,597	541,948	12,701	2,058	0	94,798	1,057,767

(1) Freight Network Infrastructure class was created from other classes when the lease commenced on 17 December 2000 and will be depreciated on a straight line basis over the term of the lease (49 years).

2000

	Land & Buildings	Rollingstock	Permanent Way/ Protection Equipment	Plant & Equipment	Motor Vehicles	Leased Wagons	Leased Railcars	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Carrying amount At start of year								
▶	198,134	223,443	679,992	25,713	3,635	4,784	104,129	1,239,830
Additions	22,230	11,114	97,479	3,136	42	88	0	134,089
Disposals	(2,104)	(2,366)	0	(149)	(87)	0	0	(4,706)
Depreciation	(8,280)	(13,457)	(40,912)	(3,043)	(953)	(300)	(4,665)	(71,610)
Carrying amount At end of year								
▶	209,980	218,734	736,559	25,657	2,637	4,572	99,464	1,297,603

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2001

	2001 \$000's	2000 \$000's
NOTE 23 INTEREST BEARING LIABILITIES		
LOANS		
(a) Current		
Western Australian Treasury Corporation Loans	16,000	30,000
Commonwealth Loans	377	366
	16,377	30,366
(b) Non-Current		
Western Australian Treasury Corporation Loans	676,970	1,006,681
Commonwealth Loans	5,777	6,164
	682,747	1,012,845
FINANCE LEASE LIABILITY		
Minimum lease payments	48,974	68,516
Deduct-future finance charges	(2,115)	(11,327)
TOTAL FINANCIAL LEASE LIABILITY	46,859	57,189
Current	9,267	8,129
Non-current	37,592	49,060
TOTAL FINANCIAL LEASE LIABILITY	46,859	57,189

Lease liabilities are effectively secured as the rights of the lease revert to the lessor on default. The carrying amount of non- current assets under Finance Leases are:

Electric Railcars	57,745	60,716
-------------------	--------	--------

NOTE 24 PROVISIONS

EMPLOYEE ENTITLEMENTS

(a) Current		
Annual leave	2,891	7,944
Long service leave	2,389	3,295
Severance	0	142
Superannuation	0	1,162
	5,280	12,543
(b) Non-Current		
Long service leave*	1,241	6,906
* The discount rate applied to the calculation of Long Service Leave is 6%		
TOTAL	6,521	19,449

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2001

	2001 \$000's	2000 \$000's
OTHER PROVISIONS		
Current		
Public Liability Provision	939	765
Workers compensation	1,513	1,250
Dividends payable	0	18,000
TOTAL	2,452	20,015

NOTE 25 OTHER LIABILITIES

Contractors Deposits	792	2,855
Payments held in suspense	154	115
Railway servants benefits trust	284	268
Advance from another government agency	175	0
TOTAL	1,405	3,238

NOTE 26 DEFERRED OPERATING LEASE REVENUE

Freight Network Infrastructure Prepaid Operating Lease

Current	17,306	0
Non-Current	266,386	0
TOTAL	283,692	0

NOTE 27 CONTRIBUTED EQUITY

Balance	113,018	113,018
---------	---------	---------

NOTE 28 RESERVES

Asset revaluation reserve		
Opening balance	18,077	18,077
Movements	Nil	Nil
Closing balance	18,077	18,077

The asset revaluation reserve is used to record increments and decrements on the revaluation of non current assets.

NOTE 29 ACCUMULATED SURPLUS (DEFICIT)

Opening balance	33,712	33,441
Change in net assets	(152,594)	47,840
Dividends provided for or paid (Note i)	(18,213)	(47,569)
Dividend provision reversed (Note 2)	18,000	0
Closing balance	(119,095)	33,712

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2001

Note (i) On instructions from State Treasury, WAGR borrowed \$18.213M to make this dividend payment to Treasury in respect of unfunded superannuation liabilities assumed by Treasury for employees who transferred to Australian Railroad Group.

NOTE 30 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2001 \$000's	2000 \$000's
Cash assets	28,599	5,740
Restricted cash assets	1,230	3,238
	29,829	8,978

(b) Non Cash Financing and Investing Activities

During the financial year WAGR did not acquire any equipment by means of financial leases.

(c) Financing Facilities

WAGR has a short term equity facility of \$30 million with the Western Australian Treasury Corporation.

Amounts drawn from this facility at June 30	16,000	30,000
---	--------	--------

The Western Australian Treasury Corporation has provided a facility of \$US 108.9 million to WAGR to meet contingent obligations under a lease agreement that may eventuate during the life of the lease. As of June 30, 2001 none of this facility has been drawn.

(d) Reconciliation of net cost of services to net cash flows provided by operating activities

Net (cost of) / surplus from services	(40,386)	46,382
Reconciling items		
Depreciation	47,295	71,610
(Profit) loss on sale of non-current assets	(7)	(227)
Land Rationalisation	12,264	(27,405)
Community Service Obligations	(35,713)	(21,116)
Asset Contribution	(2,723)	(16,089)
Freight Sale Employee Transfer Costs	(45,978)	0

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2001

	2001 \$000's	2000 \$000's
(Increase)/ Decrease in assets		
Current Receivables	23,827	(6,074)
Current Inventories	18,982	(2,267)
Other Current assets	9,644	(4,251)
Deferred tax assets	580	2,463
Increase/ (Decrease) in liabilities		
Current Payables	(35,887)	(1,474)
Current Provisions	(24,826)	(3,337)
Other Current liabilities	(1,833)	(4,273)
Current Deferred Operating Lease Revenue	17,306	0
Non Current Provisions	(5,665)	(654)
Deferred tax liabilities	(580)	(1,283)
Non Current Deferred Operating Lease Revenue	266,388	0
Net cash provided by/ (used in) operating activities	202,688	32,005

NOTE 31 COMMITMENTS FOR EXPENDITURE

Capital expenditure contractually committed as at June 30 :

Not later than one year	22,992	44,574
Later than 1 year and not later than 5 years	27,000	5,806
Later than 5 years	0	0
TOTAL	49,992	50,380
Financial leases - amounts due:		
- Not later than one year	10,020	12,364
- Later than one year and not later than two years	9,597	12,364
- Later than two years and not later than five years	26,322	31,734
- Later than five years	3,035	12,056
Minimum lease payments	48,974	68,516
Deduct-future finance charges	(2,115)	(11,327)
TOTAL FINANCIAL LEASE LIABILITY	46,859	57,189
Operating leases - amounts due:		
- Not later than one year	5,537	7,671
- Later than one year and not later than two years	457	7,671
TOTAL OPERATING LEASE COMMITMENTS	5,994	15,342

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2001

2001	2000
\$000's	\$000's

NOTE 32 CONTINGENT LIABILITIES AND CLAIMS NOT RECOGNISED IN THE FINANCIAL STATEMENTS

- (a) One incident has resulted in claims against WAGR which are the subject of further investigation and at reporting date cannot be reliably quantified.
- (b) WAGR has provided an income tax indemnity to Deutsche Bank in connection with the early termination of a rollingstock lease that cannot be reliably quantified.

NOTE 33 GIFTS OF PUBLIC PROPERTY

Gifts during the year	Nil	Nil
-----------------------	-----	-----

NOTE 34 REMUNERATION AND RETIREMENT BENEFITS OF MEMBERS OF THE ACCOUNTABLE AUTHORITY AND SENIOR OFFICERS

(a) Remuneration

The total fees, salaries and other benefits received or due and receivable for the financial year by :

the Accountable Authority (Commissioner of Railways)	167	154
other Senior Officers	3,473	3,566

The number of Senior Officers other than the Accountable Authority, whose total of fees, salaries and other benefits received or due and receivable for the financial year, falls within the following bands:

Less than \$50,000	16	2
\$50,000-\$60,000	6	Nil
\$60,000-\$70,000	11	1
\$70,000-\$80,000	6	6
\$80,000-\$90,000	8	9
\$90,000-\$100,000	3	12
\$100,000-\$110,000	3	4
\$110,000-\$120,000	2	3
\$120,000-\$130,000	Nil	2
\$130,000-\$140,000	Nil	Nil
\$140,000-\$150,000	Nil	1
	55	40

Note that for the current financial year the above list includes those senior officers who accepted offers to transfer to the purchaser of the Freight Business on 17 December 2000.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2001

	2001 \$000's	2000 \$000's
(b) Retirement benefits		
The following amounts were paid or became payable for the financial year to:		
The Accountable Authority (Commissioner of Railways)		
Contributions to Government Employees Superannuation Act Scheme	16	17
Other Senior Officers -		
Contributions to Government Employees Superannuation Act Scheme	353	338
Termination payments	2,968	1
TOTAL	3,321	339

Number of Senior Officers presently employed who are members of the Superannuation and Family Benefits Act:

The Accountable Authority (Commissioner of Railways)	0	0
Other Senior Officers	1	0

Note that for the current financial year the above list includes those senior officers who accepted offers to transfer to the purchaser of the Freight Business from 17 December 2000

NOTE 35 REMUNERATION OF AUDITORS

Total fees paid or due and payable to the Auditor General for the financial year are as follows:

Auditing the accounts	80	100
-----------------------	----	-----

NOTE 36 REVENUE AND COST OF SERVICES EXPLANATORY STATEMENT

(a) Actual results for 2000/2001 compared to the budget estimate

	Estimate	Actual	Variance
Revenue from ordinary activities	417,515	312,027	(105,488)
Cost of Services	411,469	352,413	59,056
Net Cost of (Surplus from) Services	(6,046)	40,386	(46,432)

The annual budget estimate was prepared on the assumption that the Freight business would not be sold.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2001

Revenue

The overall revenue was below the estimate for the financial year by \$105.5million.

Freight revenue was below the estimate by \$138.6million because the Freight Business was sold on 17 December 2000. Prior to the sale, freight revenue was 4% ahead of the estimate, mainly due to higher volumes of ores and minerals traffic.

Urban Passenger was below the estimate by \$2.2million, mainly because of a decrease in debt servicing costs.

Other significant revenue variations included:

- \$8.8million Rental Income from the Freight Network Infrastructure
- \$14.9million Community Service Obligations received for residual freight debt servicing costs, surplus employees, post sale transitional costs and corridor and network management.

Cost of Services

Cost of Services for the year was below the estimate by \$59.1million.

Expenditure reduced because of the sale of the Freight Business on 17 December 2000 across all categories of expenditure. It is not possible to explain detailed variations from the budget estimate because of changes to internal management reporting.

Borrowing costs increased by \$43.3million due to the refinancing of the loan portfolio at current interest rates following the sale of the freight business. This cost was offset by lower interest rates on the remaining debt for the period from 17 December 2000 to 30 June 2001.

(b) Actual results for 2000/2001 compared to the preceding year:

	2001 \$000s	2000 \$000s	Variance \$000s
Revenue from ordinary activities	312,027	464,462	(152,435)
Cost of Services	352,413	418,080	65,667
Net Cost of (Surplus from) Services	40,386	(46,382)	(86,768)

Revenue

The overall revenue decreased by \$152.4million.

Freight revenue was below the preceding year by \$131.2million because the Freight Business was sold on 17 December 2000.

Community Services Obligations revenue increased by \$14.6million, including residual freight servicing, surplus employees, post sale transitional costs and corridor and network management.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2001

Land rationalisation revenue was \$32.7million lower. Land sales vary between years depending on the timing of sale and the particular projects completed in a financial year.

Expenditure

The overall expenditure decreased by \$65.7million.

Employee expenses reduced by \$27.6million, reflecting the reduction in employee numbers following the sale of the freight business.

Supplies and Services reduced by \$25.6million because of the change in business activities following the sale of the freight business.

Depreciation reduced by \$24.4million because of the sale of locomotives, wagons, freight terminals, included in the freight sale.

Energy and Fuel reduced by \$15.6million because of the reduced requirements for diesel fuel following the sale of the freight business.

Borrowing costs increased by \$24.5million. The \$43.3million cost of refinancing the loan portfolio at current interest rates following the sale of the freight business, was offset by lower interest costs for the period from 17 December 2000 to 30 June 2001.

NOTE 37 EXPLANATION OF MAJOR CAPITAL EXPENDITURE VARIATIONS

(a) Budgeted estimates and actual results for 2000/2001

	Budget \$000's	Actual \$000's	Variation \$000's	Comments
FREIGHT SERVICES				
Total	155,174	46,025	109,149	Business sold
URBAN PASSENGER SERVICES				
Maylands Station Upgrade	2,700	2,828	(128)	Project Delayed
Renew Claisebrook Footbridge	400	18	382	Payment schedule Adj.
Lift Perth Station – Wellington Street	400	0	400	Project Delayed
Graham Freeway Exposures	1,130	513	617	Payment Schedule Adj.
Urban Stations-Secured Car Parks	700	24	676	Project Rescheduled
Closed Circuit TV – Urban Station Security	1,310	43	1,267	Project Rescheduled
Ergonomic Cab	800	1,062	(262)	
Other	4,448	4,044	404	Projects Delayed

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2001

	Budget \$000's	Actual \$000's	Variation \$000's	Comments
COUNTRY PASSENGER SERVICES				
Midland Terminal SG Access for Prospector	2,450	1,901	549	Payment Schedule Adj.
Road Coaches	2,000	0	2,000	Projects Rescheduled
Claisebrook Tunnel Widen Access	600	6	594	Project Rescheduled
Prospector/Avon Link Railcars	10,000	7,306	2,694	Payment Schedule Adj.
Other	300	276	24	
CORPORATE				
Country Passenger Road Coach Facility	900	749	151	Project Rescheduled
Other	500	1,110	(610)	Scope increased
TOTAL	183,812	65,905	117,907	

(b) Actual results for 2000/2001 compared to the preceding year

	2001 \$000's	2000 \$000's	Variance \$000's
Freight	46,025	115,874	(69,849)
Urban Passenger Services	8,532	10,283	(1,751)
Country Passenger Services	9,489	1,245	8,244
Corporate	1,859	0	1,859
Total Capital Expenditure	65,905	127,402	(61,497)

(c) Major Uncompleted Works

	Estimated Total Cost \$000's	Est. Cost to complete \$000's	Year of Completion
Centralised Monitoring- Urban Security	6,372	6,202	2002/2003
Upgrade Urban Station & Carpark Lighting	4,400	4,389	2003/2004
Maylands Station Upgrade	4,033	892	2001/2002
Closed Circuit TV – Urban Station Security	3,900	3,791	2002/2003
Auto Gates Locking system-Suburban	3,099	249	2001/2002
Long Line PA & P.I.N - Urban Security	2,140	3,134	2003/2004
Refurbish First & Upper Ground –W/Centre	1,995	1,932	2001/2002
Suburban Upgrade of Turnouts and Joints	1,469	1,338	2002/2003
C & T.I.S Upgrade-Train Info.System	1,246	612	2001/2002
Urban Stations – Secured Car Parks	1,161	1,136	2001/2002
Whitfords Station Car Park Upgrade	610	609	2001/2002
New Railcars	45,500	38,194	2002/2003

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2001

(d) Major Completed Works (Excluding Freight)

	Total Cost \$000's
Permanent way	12,012
Land and buildings	3,383
Plant and Equipment	1,290
TOTAL	16,685

NOTE 38 LOSSES THROUGH THEFTS, DEFAULTS AND OTHER CAUSES

	2001 \$000's	2000 \$000's
(a) Losses written off:		
Thefts of cash, equipment and stores	0	34
(b) Stocks - discrepancies	0	(26)
- Obsolescence, damage, surplus	0	322
(c) Revenue written off	41	21
TOTAL	41	351

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2001

NOTE 39 FINANCIAL INSTRUMENTS

(a) Interest Rate Risk Exposures

WAGR's exposure to interest rate risk and the effective weighted average interest rate for each class of financial asset and financial liability is set out below.

2001	Notes	Weighted Average effective interest rate %	Floating interest rate (i) \$'000	Fixed interest rate maturing in:				Total \$'000
				1 year or less \$'000	over 1 to 5 years \$'000	more than 5 years \$'000	Non- interest bearing \$'000	
Financial Assets								
Cash Assets		6.06%	28,599	-	-	-	-	28,599
Restricted Cash Assets	18	6.06%	1,230	-	-	-	-	1,230
Receivables	20	-	-	-	-	-	5,165	5,165
TOTAL			29,829	-	-	-	5,165	34,994
Financial Liabilities								
Payables		-	-	-	-	-	32,186	32,186
Other liabilities	25	-	-	-	-	-	792	792
Interest Bearing Liabilities								
W.A.T.C. Loans (i)	23	5.63%	-	278,063	189,551	225,355	-	692,969
Commonwealth Loans	23	5.63%	-	-	-	6,155	-	6,155
Lease Liabilities	23	6.81%	45,728	-	1,131	-	-	46,859
TOTAL			45,728	278,063	190,682	231,510	32,978	778,961

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2001

				Fixed interest rate maturing in:				
				1 year or less	over 1 to 5 years	more than 5 years	Non-interest bearing	
2000	Notes	Weighted Average effective interest rate %	Floating interest rate (i) \$'000	\$'000	\$'000	\$'000	\$'000	Total \$'000
Financial Assets								
Cash Assets		5.27%	5,740	-	-	-	-	5,740
Restricted Cash Assets	18	5.27%	3,238	-	-	-	-	3,238
Receivables	20	-	-	-	-	-	28,992	28,992
TOTAL			8,978	-	-	-	28,992	37,970
Financial Liabilities								
Payables		-	-	-	-	-	68,073	68,073
Other liabilities	25	5.27%	1,925	-	-	-	1,313	3,238
Interest Bearing Liabilities								
W.A.T.C. Loans (i)	23	7.78%	-	587,924	244,764	203,993	-	1,036,681
Commonwealth Advances	23	5.63%	-	-	-	6,530	-	6,530
Lease Liabilities	23	7.10%	53,506	-	3,683	-	-	57,189
TOTAL			55,431	587,924	248,447	210,523	69,386	1,171,711

(i) Western Australian Treasury Corporation Loans

(b) Credit Risk Exposures

WAGR's credit risk on financial assets, which have been recognised on the Statement of Financial Position is the carrying amount, net of any provision for doubtful debts.

Concentrations of credit risk on financial assets are primarily related to property rental agreements and other miscellaneous revenue.

NOTES TO THE FINANCIAL STATEMENTS

for the year ending 30 june 2001

Except for securities held to ensure the performance of contactor guarantees or warranties, amounts due from major debtors are not normally secured by collateral, however the creditworthiness of debtors is regularly monitored. Securities held to ensure the performance of contractor guarantees or warranties include Bank Guarantees, Personal (Directors) Guarantees or cash. The value of securities held is dependent on the nature, including the complexity and risk, of the contract.

(c) Net fair values

The carrying amount of financial assets and financial liabilities recorded in the financial statements are not materially different from their net fair values, determined in accordance with the accounting policies disclosed in Note I to the financial statements.

NOTE 40 SEGMENT REPORTING

WAGR carried on the whole of its business within the State of Western Australia.

NOTE 41 RAILWAY CORRIDOR MINISTER

These Financial Statements include revenue from Railway Corridor leases of \$266,055 and expenditure related to the management and administration of the Railway Corridor on behalf of the Railway Corridor Minister of \$380,205.

CERTIFICATION OF FINANCIAL STATEMENTS

The accompanying financial statements of the Western Australian Government Railways Commission, have been prepared in compliance with the provisions of the Financial Administration and Audit Act 1985 from proper accounts and records to present fairly the financial transactions for the year ended June 30, 2001 and the financial position as at June 30, 2001.

At the date of signing we are not aware of any circumstance which would render the particulars included in the financial statements misleading or inaccurate.



R Waldock
Accountable Authority



J W Leaf
Principal Accounting Officer

August 30, 2001

To the Parliament of Western Australia

The Western Australian Government Railways Commission financial statements for the year ended June 30, 2001

Scope

I have audited the accounts and financial statements of The Western Australian Government Railways Commission for the year ended June 30, 2001 under the provisions of the Financial Administration and Audit Act 1985.

The Commission is responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing and presenting the financial statements, and complying with the Act and other relevant written law. The primary responsibility for the detection, investigation and prevention of irregularities rests with the Commission.

My audit was performed in accordance with section 79 of the Act to form an opinion based on a reasonable level of assurance. The audit procedures included examining, on a test basis, the controls exercised by the Commission to ensure financial regularity in accordance with legislative provisions, evidence to provide reasonable assurance that the amounts and other disclosures in the financial statements are free of material misstatement and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and the Treasurer's Instructions so as to present a view which is consistent with my understanding of the Commission's financial position, the results of its operations and its cash flows.

The audit opinion expressed below has been formed on the above basis.

Audit Opinion

In my opinion,

- (i) the controls exercised by the Western Australian Government Railways Commission provide reasonable assurance that the receipt, expenditure and investment of moneys and the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions; and
- (ii) the Statement of Financial Performance, Statement of Financial Position and Statement of Cash Flows and the Notes to the financial statements are based on proper accounts and present fairly in accordance with applicable Accounting Standards, other mandatory professional reporting requirements and the Treasurer's Instructions, the financial position of the Commission at June 30, 2001 and the results of its operations and its cash flows for the year then ended.



D D R Pearson
Auditor General
September 21, 2001

PRINCIPAL OFFICE

Street Address: The Western Australian Government Railways Commission
Westrail Centre
West Parade
Perth WA 6000

Postal Address: PO Box 8125
Perth Business Centre
Perth WA

Australian Business Number: 44 143 660 866 (check this number)

Telephone

General Enquiries: 08 9326 2000

Country Passenger Reservations 13 10 53

PUBLICATIONS AVAILABLE TO THE PUBLIC

For copies of publications available to the general public including the Annual Report and WAGR's Freedom of Information Act Information Statement please contact:

Paula Crookes – Manager, Communications and Corporate Relations
Ph: 08 9326 2764
FAX: 08 9326 2936

Internet address: www.wagr.wa.gov.au

